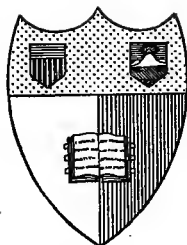


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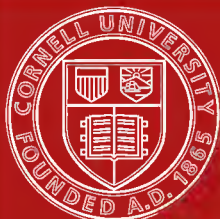
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National Industrial Conference Board

10 EAST 39TH STREET, NEW YORK

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THE National Industrial Conference Board is a co-operative body composed of representatives of national and state industrial associations and closely allied engineering societies of a national character, and is organized to provide a clearing house of information, a forum for constructive discussion, and machinery for co-operative action on matters that vitally affect the industrial development of the nation.

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PROBLEMS OF LABOR AND INDUSTRY IN GERMANY

SPECIAL REPORT NUMBER 15
SEPTEMBER, 1920

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Foreword

IN the spring of 1919, when the problems of industrial readjustment following the cessation of hostilities were most pressing, the National Industrial Conference Board sent a Special Commission of industrial executives and economists abroad to study at first hand labor conditions and industrial problems. The Commission visited various parts of England, Scotland, and Wales, and also France and Italy. It conferred with government officials, with prominent employers and labor leaders. It visited many plants and made its observations directly. Its report was issued by the Board as Special Report No. 6, entitled, "Problems of Labor and Industry in Great Britain, France and Italy." The Commission did not, however, find it possible to visit the territories of any of the Teutonic allies. Of these, Germany is naturally the most important.

The Board, desirous of keeping American industrialists informed on economic conditions in Germany, secured the services of a competent German economist and writer to act as correspondent. This correspondent has made a series of studies on pressing problems and significant developments in German industry. These studies form the basis of this report, but have been revised and amplified from various printed sources by the Board's staff.

The Board believes that the information contained in this report is substantially accurate and that it will be found both interesting and instructive. The economic situation in Germany is in a state of flux, but this report presents conditions as they had developed up to September, 1920.

Problems of Labor and Industry in Germany

I

INTRODUCTION

Authoritative information with regard to industrial conditions in Germany is not generally available in the United States. Events on the political stage have tended to crowd out events of important economic significance. Furthermore, much of the information regarding conditions in Germany that has found its way into newspapers and magazines has been colored, more or less, by prejudice in favor of or opposed to Germany.

The economic phases of a nation's life are fundamental. A nation's industries are its people's strength. During the war, each of the belligerents recognized that its factories constituted its second line of defense and that the supremacy of the military arm rested largely on the effectiveness of the industrial arm. Since the war, there has been a growing appreciation among the nations that their factories are the keystone of their economic and social well-being. The eagerness with which the nations in the invaded area have set about to rebuild the factories destroyed is only proof of this.

The present industrial situation in Germany is therefore of more than ordinary interest. At the outbreak of the war, in 1914, Germany was generally regarded as one of the leading industrial nations in Europe. Her technical skill was admired the world over. As a producer and trader, she was a nation to be reckoned with.

The loss of the war naturally affected Germany's prestige. At the time of the signing of the armistice, the Emperor had fled and the nation was politically and economically confused. The factories stopped work because the need for war materials, upon which almost all were engaged, no longer existed. Besides, raw materials were lacking. The returning soldiers from the battlefield only swelled the tide of unemployment at home. Dis-

content was everywhere. In the general confusion, to which allusion has already been made, many agitators and dreamers saw an opportunity to foist their particular schemes on the people. Numerous demands for the socialization of all industry were made. The Government itself was revolutionary and socialistic. It should be remembered that Germany is the home of Karl Marx, of Engels, and of Lassalle. It is the place where scientific socialism has grown up. For sixty years socialization of the means of production was talked of in Germany. Bit by bit this program has been abandoned. In the recent election to the Reichstag, the extreme radical socialists have been returned in larger numbers than heretofore, but whether extremely radical measures will be put into effect is problematic. In any case, the action that Germany will take will directly or indirectly influence other countries.

Furthermore, labor has grown considerably in power in Germany. Organization of workmen has proceeded to such lengths that the unorganized worker is the exception rather than the rule. The labor unions, with their newly won power, have striven to put into effect their entire program. But again changes in their purposes are to be noted. For example, the trade unions had first insisted on the acceptance by employers of an 8-hour day; subsequently the 8-hour day was made compulsory by law. With the growing recognition of the importance of increased production, labor has shown a willingness to consider working longer hours. The great hindrance to adoption of a longer workday is organized labor's fear that if the 8-hour day principle is relinquished, even temporarily, the struggle for it may have to be refought. Again, the attitude toward piecework has been changing from one of open opposition to one of tolerance. In other directions important changes of attitude are to be noted. Instead of hostility to the employing class, the trade unions have shown a spirit of cooperation. All this is significant.

Yet, while labor in Germany is almost completely organized and the Government has been encouraging organization among employers and employees, and has practically forced collective dealing between them, it should be noted that the open-shop principle has been recognized as a basis for all relations between employer and employee. Under the Works Councils Law, for

example, it has been provided that "the employment of any person must not be conditioned upon his political, religious, or trade union activities," and that "beyond this rule and so long as he abides within the rules fixed, the employer is free to employ, or to refuse to employ, any person as he will. The Works Council has no right to interfere." The employee, if dismissed, has a right to appeal to his Group Council if he believes that his discharge was due to membership in a particular race or family or on account of political, religious, military, or trade union activities. Thus union influence, powerful as it has been, has recognized the justice of the open-shop principle and has acceded to its adoption as part of the law.

II

A GENERAL SURVEY OF LABOR CONDITIONS IN GERMANY

In Germany, as in all the countries affected by the war, the power of the working classes has increased considerably. Wartime conditions forced Germany to depend almost completely on her own resources. The war was so severe, its duration so long, and its requirements so great, that the securing of an uninterrupted supply of war materials became the prime necessity. Every concession that was conducive to this end had to be made. Demands, whether justified economically or not, had to be met, for only in that way could assurance be had that the economic machinery of the entire nation would not be brought to a standstill.

The greatly augmented power of the working classes, which was acquired during the war, underwent an even more extraordinary increase following the outbreak of the revolution in November, 1918. The most distinguishing feature of this vastly increased power of labor is to be found in the development of the trade unions, particularly of the so-called "Free" unions.

It should be noted that in Germany the trade union movement dates from the end of the '60's of the last century. It was then that Germany began to come forward as an industrial power. It should be noted also that in Germany, unlike the situation in other countries, socialism and trade unionism have moved forward together. Their development has not been marked by the same attitude of hostility which has characterized the movement in other industrial nations. The reason for this is that the socialist movement anteceded the trade union movement. From the beginning the socialists favored and encouraged the formation of trade unions. The two movements have thus grown side by side, political and industrial organization having been generally regarded as parts of the same movement. Most of the German trade unions are socialistic in their sympathies. There are, however, some minor non-socialist unions which

are called "Yellow" unions to distinguish them from the "Red" unions, which support the Social Democrats. The "Yellow" unions are, on the whole, less militant than the others and for this reason have been more generally favored by employers.

The German unions are divided into a number of important groups, namely: The "Free," the Hirsch-Duncker, the Christian, and the Polish. The "Free" unions are socialistic and believe in the socialism of Karl Marx and in the class struggle; politically they are allied with the Social Democrats. The Hirsch-Duncker unions are modelled after the trade unions of England; they believe in bridging the gulf between the classes through peaceful evolution; politically they are not allied with the Social Democrats. The Christian unions decry the agnosticism of the others; politically they are allied with the Center, or Roman Catholic, Party. The Polish unions cater to those of Polish speech and nationality; their strength is in the eastern provinces of Germany. Of these, the "Free" trade unions are by virtue of their membership the strongest.

Early in 1916 most of the trade unions showed a sharply depressed membership as compared with pre-war conditions. By the time of the signing of the armistice, however, a comparatively high figure had been attained. Because of the enormous number of persons called into war service, this level was naturally not so high as in the pre-war period. But in some cases—in the Metal Workers' Federation, for example—it was at the pre-war level. After the armistice, there took place an increase in trade union membership which is without parallel in trade union history. The changes in the membership of the "Free" trade unions indicate the general trend within the ranks of organized labor. For example, the membership of the "Free" unions combined in the General Federation of Trade Unions was 1,865,962 before the war. In 1916 it stood at 715,058. At the time of the armistice it was 1,203,453. In September, 1919, it amounted to 5,327,600, and it reached a total of 7,000,000 by the end of that year. In March, 1920, it had risen to 7,500,000. The changes within the "Free" unions to September, 1919, are indicated by the following table:

CHANGES IN MEMBERSHIP OF FEDERATIONS OF THE GERMAN
 "FREE" TRADE UNIONS, WITH MEMBERSHIP OF 100,000
 OR OVER, IN SEPTEMBER, 1919:

Federation	Before the War	1916	At signing of the Armistice (1918)	September 1919
Metal Workers . . .	531,991	247,360	447,197	1,350,000
Factory Workers . .	207,330	80,545	119,820	505,000
Transport Workers .	228,207	58,597	74,443	450,000
Mine Workers . . .	101,956	53,404	138,470	422,600
Railroad Workers . .		(Founded)	55,653	420,000
Building Trades . .	309,562	72,948	82,311	400,000
Agricultural Workers	22,531	6,249	8,936	400,000
Textile Workers . .	133,034	56,747	74,056	370,000
Office and Clerical Workers	35,219	24,271	36,427	350,000
Wood Workers . . .	192,465	68,249	99,021	310,000
Municipal and State Employees	54,522*	25,390	39,574	250,000
Garment Workers . .	49,145	21,298	27,545	100,000
Total	1,865,962	715,058	1,203,453	5,327,600

* Members of societies, not trade unions.

It may be noted, also, that before the war persons engaged in public employment were not permitted to become members of trade unions. During the war, however, unions of public employees began to be formed, and today they are organizations of great strength. Thus, the "Free" Union of Railway Employees had about 55,000 members at the end of the war; at present it has over 400,000. Similarly, there is a labor Union of Municipal and State Employees with a membership of over 250,000. Office and clerical employees, who were formerly loath to unite in trade unions, have combined into a strong organization, based on the socialistic principles of the "Free" unions, and have affiliated themselves with the General Federation of Trade Unions, which formerly comprised manual workers only. Viewed in the large, it may be said that the number of employees in Germany, whether manual or clerical workers, who are not organized is small. Only here and there one finds a workman who is not a member of a labor organization.

The result of this development in organization has been twofold. In the first place, it has wrought changes within the trade unions themselves which may prove of importance. The membership is largely new and is composed of younger persons who have neither the

traditions nor the restraint of the older members. The situation from the trade unions' point of view is clearly depicted in an article in the *Correspondenzblatt* of the General Commission of German Trade Unions under date of September 20, 1919. The article, in commenting on the rapid increase in membership of the "Free" trade unions, states:

"German 'Free' trade union membership is making rapid strides from the sixth into the seventh million. Considerably more than half of the members are persons who have joined a trade union for the first time. These must be trained to be good trade unionists. This training has for many years been the task of the trade unions, but it has never been so big and difficult a task as it is now. Heretofore, the old members were in the majority in the local unions, district councils, federations and conferences. Now, the new members are in the majority. The minority has to teach the majority. The new members have been in the trenches for four years and their experiences have left a mark. They are not shy and retiring, as new members were in the old days. The characteristic of the workers today is a deep-seated feeling of bitterness and mistrust toward everything and everybody. All this must be taken into consideration."

In the second place the increased membership has vastly strengthened the power of the trade unions so that working conditions are now fixed in form and in method different from that prevailing before the war. Under the monarchical rule, the large industrial employers did not as a rule recognize the trade unions as the legitimate representatives of labor, and invariably declined to negotiate with them. Scarcely had a week elapsed after the signing of the armistice and the overthrow of the Imperial Government than it became clear that trade union influence would be felt as never before in the political and economic life of the nation. Under the pressure of new conditions employers were forced to alter their policy and to deal with the unions. Negotiations between employers' associations and trade unions in some industries (mining and metal trades, for example) were in progress even before the revolution, but the process of collective negotiation was hastened by the revolution. On November 16, 1918, twenty-one of the largest employers' associations, representing almost every important industrial group, and seven trade union federations entered into a joint agreement to govern their

future industrial relations. By some of the German newspapers this agreement has been termed the Magna Charta of German labor. It was considered of such importance that it was subsequently published in the *Reichsanzeiger*, the official organ of the Government. Its provisions were as follows:

- "1. The trade unions shall be recognized as the legitimate representatives of labor.
- "2. The restriction of freedom of combination and association of male and female workers shall not be permitted.
- "3. Henceforth, employers and employers' associations shall not concern themselves with the workmen's societies (the so-called "Yellow" or non-militant trade unions) and shall not support or subsidize them, either directly or indirectly.
- "4. All workmen returning from military service, on reporting for work, shall be entitled to immediate reinstatement into the position occupied by them before the war. The employers' and workers' federations affected shall use all possible efforts to provide raw materials and orders so that the above obligation may be complied with.
- "5. Joint regulation and equipartisan administration of the employment offices shall be in effect.
- "6. The working conditions of all male and female employees are to be determined in accordance with conditions in the trade in question through collective agreements with the trade organizations of workmen. Negotiations relating thereto shall be immediately initiated and be concluded as soon as possible.
- "7. In each establishment employing at least fifty workers, a workmen's committee shall be appointed which shall represent the workers and, in cooperation with the employers, shall see to it that the working conditions are regulated in accordance with the collective agreement.
- "8. The collective agreements shall provide for the establishment of conciliation and arbitration boards composed of an equal number of employers' and employees' representatives.
- "9. The maximum regular daily hours of work shall be fixed for all establishments at eight hours; reduction of wages owing to a shortening of the hours of work shall not take place.
- "10. For the enforcement of this agreement, as well as for the regulation of further measures necessary during demobilization to maintain economic life and to guarantee the very existence of the working people, especially those seriously

disabled in the war, the interested employers' and workmen's organizations shall establish a joint central committee on an equipartisan basis and representing the various trades.

- "11. This central committee shall also decide all fundamental problems, in so far as such arise, in the collective regulation of wage and working conditions and shall mediate disputes in which several occupational groups are simultaneously interested.
- "12. Its decisions shall be binding upon both employers and employees unless they are contested within one week by one of the trade organizations affected.
- "13. This agreement shall be in force on the day of its signature and shall, without prejudice to their local regulation, remain in force indefinitely, with the mutual right of its abrogation on three months' notice. This agreement, in its intent, shall be alike applicable to the relations between employers' and salaried employees' organizations."

Instead of individual bargaining between management and employee, trade unions and employers' associations now jointly fix the conditions of work for the trade or the industry. Individual contract has given way to collective contract. It is, of course, recognized that in collective dealing an individual employer is at a disadvantage in dealing alone with a powerful, united labor organization. The individual employer, however, finds protection in the strength of the employers' organization to which he finds it necessary to belong. The high degree of organization among employees has thus been paralleled by similar organization among employers.

A still further step has been taken in the organization of fourteen National Labor Commissions with a Central Labor Commission as a superstructure. The development of these Labor Commissions is not to be directly ascribed to the influence of the revolution. During the war certain groups of employers — the metal trades employers of Berlin, for example — became impressed with the thought that, irrespective of the outcome of the war, the welfare of German economic life required the closest kind of cooperation with the representatives of labor. In various localities during 1918 negotiations were begun, having as their basis the recognition of the unions as organizations with equal rights and privileges. By December, 1918, this practice was recognized by statute. Thus, the preamble of the Regulations Governing the Central Labor Commission states:

“Deeply impressed by the knowledge and responsibility that the reconstruction of our economic life requires the bringing together of all economic and intellectual forces and requires also thorough cooperation of all parties, the organizations of industrial and manufacturing employers and employees hereby unite in the establishment of a Central Labor Commission.”

The Central Labor Commission has for its purpose the joint solution of all economic and socio-political problems affecting the trade and industry of the entire country as well as the labor laws and administrative measures relating thereto. The functions of each of the fourteen National Labor Commissions are simply the settlement of labor questions affecting trades and industries with which they are connected.

All this has been accomplished but not without the sharpest friction. During 1919 violent and protracted strike movements took place. The causes of these conflicts are twofold.

In the first place, the revolution brought into the sentiments of men a great confusion and complexity. Honest-minded dreamers of the agitator type promised the workmen a heaven on earth. They led them to believe that by sudden and violent overthrow of the whole economic structure and through the “socialization” of industry, the entire social question could be solved. All that was needed to accomplish the miracle, they urged, was the assumption of control by a united proletariat.

The other cause was the real economic misery into which all classes of employees were plunged as a result of the war. Money depreciated to a figure that no one had estimated. The people were hungry and raw materials were lacking. The most essential articles, food and clothing, for example, had to be imported at prices which were continually rising. Again and again it was necessary to alter the wages which were fixed for labor. There was thus interjected into the normal living conditions of the people an uninterrupted succession of disturbances. Unfortunately, the peaceable method of regulating wages by mutual understanding was pursued only rarely. This was particularly true of the first six months of 1919.

Amidst such conditions, the leaders of the radical groups of workers proceeded shrewdly to draw a purely

economic conflict into the political arena, and in numerous cases in which economic questions might have been settled or had already been settled, the disturbance of the economic life of the people was continued deliberately in order that the social revolutionists might realize their ideas. Every effort on the part of employers to arrive at an amicable settlement of existing problems was violently opposed by the more radical groups of workers. But at last gradually, and then more widely, the knowledge began to grow among groups of workmen that along these lines there could be no progress and that if Germany were to rise again the economic structure must be maintained and not destroyed.

The extreme socialist idea of workmen's councils, after the Russian model, the realization of which was sought in Germany for so long a time, has by the enactment of the new Works Councils Law been largely trimmed of its extremely radical tendencies. The aim of the Works Councils Law is not to force out of existence the regular trade unions; the law rather clearly recognizes the competence and jurisdiction of the regular trade unions. Thus Section 8 of the law states:

"The right of economic associations of manual and clerical employees to represent the interests of their members shall not in any way be limited by the provisions of this law."

The purpose of the Works Councils is not the joint adoption of wage agreements, but rather the supervision of agreements which have been concluded by the central organizations.

In Berlin, struggles for the leadership of the trade unions have been fought with great vehemence and still continue, with the Communist faction and more radical groups steadily increasing. Dealing with the unions has thus become very difficult; nevertheless, even among this group there are a number of leaders who urge moderation and who warn against shattering the economic structure by political machinations. The increase in power of the more moderate element of the working classes depends chiefly on how far the rates of exchange will improve and to what degree the price level may be lowered so that the worker with his wages can be enabled to obtain a sufficient quantity of food and the necessities of life to cover his absolute requirements. As a rule,

the German laborer is peaceful, and only when conditions are so peculiar as to foster discontent do political agitators have any effect on him. Nevertheless, the fact remains that there are numerous difficulties to be overcome and that on every side numerous "volcanoes" exist.

A word remains to be said regarding the efficiency of German labor. Due to the introduction of the 8-hour day, due largely, also, to a general aversion to work ascribable in part to malnutrition, but in part, however, to the influence of the war and the revolution, production during the year 1919 showed a serious decline. The German Industrial and Trade Conference, composed of employers, in a report which they submitted to the National Assembly stated with regard to the limitation of the hours of work that:

"The assurance given in the past by the workers' representatives when demanding a reduction of working hours, that such reduction would in no case involve diminution of production, has undoubtedly not been borne out. The reports are almost unanimous that production has fallen off in most cases, not only in proportion to the reduction in the hours of labor, but even considerably beyond this, owing to less intensity in work."

The Conference, however, recognized that:

"Among the reasons for the lessening of the intensity of labor, chief place is given to the abolition of piecework wages, also the excitement aroused by the political conditions, the altered conception of the relation between employers and workers, the insufficient nourishment, the long abstention from regular employment, and the lessened apprehension of dismissal due to the high unemployment benefits. As to the extent of the diminution, the estimates vary considerably. The most reliable figures come from the coal mining industry, which puts the reduction in output at 40 per cent; other estimates vary between 20 and 50 per cent."

Improvement in production has, however, been noted since the beginning of the year (1920). Gradually it is being recognized by the Germans that they must work not less but more than they did before, so that while at the time the 8-hour day was introduced it was regarded as something holy and inviolate, lengthening of the hours of work is now being seriously considered. As an indication of this trend, the coal miners, who had previously agreed to demand a reduction of the present 7-hour day

to six and to strike if this were refused, have given up their demand and have gone so far as to pledge themselves to work an extra half shift each week. They have agreed to do this in return for a 100 per cent increase in wages, with special provision in regard to the cost of living. Since January, 1920, it has been agreed in several other industries where the 8-hour day has been provided in the wage contract, that wherever the 8-hour day included rest periods these shall be omitted, and that the actual and not the nominal 8-hour day is to be the standard. It is significant, also, that the trade unions—the important Metal Workers' Federation, for example—are urging increased production.

The *Metallarbeiter-Zeitung*, the official organ of the German Metal Workers' Federation, which is one of the largest and most influential of German trade-union organizations, stated not long ago:

"The war has reduced the purchasing power of money and it is still falling. The prices of all necessities of life have risen very seriously for various reasons; shortage and the fact that the demand exceeds supply is a principal cause, but the substitution of a paper for a gold currency and the loss of the war itself are important factors. The result has been a widespread demand for higher wages, and since November, 1918, the wages have risen considerably, but no one can assert that the conditions of living have improved; it is impossible that they should, because the prerequisites are lacking. . . .

"Throughout the whole country there is only one-half of the foodstuffs that it contained before the war. This condition cannot be remedied by raising wages and salaries or by the issue of paper money. Increase of production at home and increase of import from abroad is the only cure. There is food enough abroad if we can pay for it, but we have not the means. Foreigners will have nothing to do with German paper money, and we must pay either in gold or goods. Since the revolution, the gold reserve of the national bank has fallen from 2,500,000,000 to 1,000,000,000 marks, and the difference has been used to purchase foodstuffs. This high road to bankruptcy cannot be followed for long; we must export goods, and to improve the conditions of life we must produce. If goods produced in Germany are too dear—and high wages and feeble effort may have this result—we are at once faced by foreign competition; no one will buy our goods; our conditions of living will be made worse; and any person who advises the workers otherwise is only fooling them. Socialization will not alter the state of affairs unless it affects

the quantity and kind of goods produced. It will come, however, and whether sooner or later depends on a variety of circumstances, not the least of which will be the attitude of the Entente toward us. But socialization will do no good unless it brings with it a great increase in production of goods, and the mere raising of wages and salaries is purely illusory. Every increase of wages entails an equivalent rise in price; for wages plus the employer's profit determine the price of goods. At present, however, profits are not on the up grade. Hence the mere rise of wages has effects analogous to the injection of morphine.

"The need of the hour is a fall in prices and a rise in production. The Government, by paying out 1,500,000,000 marks for foodstuffs, has undoubtedly taken a right step, but the results of this step will be jeopardized if it is followed by further demands for an increase in wages and if production is checked by constant strikes. The strike today is a two-edged weapon; the workers need not renounce it as a weapon, but it should only be used after full and serious consideration of the evil conditions under which we are living and in no case without the fullest regard for trade-union principles."

III

THE UNEMPLOYMENT PROBLEM IN GERMANY

The sudden termination of the war in November, 1918, resulted in a necessary change from a war to a peace-time economy. Factories employing hundreds to thousands of persons were shut down as if overnight, the articles which they were producing being no longer in demand. Furthermore, the immediate return of those participating in the war naturally created a great volume of unemployment. The terms of the armistice agreement required speedy demilitarization of Germany's armies; consequently in the space of a few weeks a swelling countercurrent of millions of soldiers made the unemployment situation extremely acute. Furthermore, the unsuccessful outcome of the war, and the grave political crisis which followed in its course, accentuated the unemployment situation. Thus there began to develop a vast army of unemployed persons which at the end of 1918 and during the early part of 1919 aggregated several million persons within the bounds of Germany.

To meet this situation the Government, on November 13, 1918, issued an Order Governing the Payment of Unemployment Grants. Under this Order the authorities of the municipalities were required to pay unemployment benefits to unemployed residents in the municipality. The country was divided into various districts based on differences in the cost of living, and within these districts the following rates of unemployment pay per day were fixed:

For	In Localities within District Groups				
	A	B	C	D & E	
1. Male Persons					
(a) over 21 years of age	6.00	5.00	4.00	3.50	Marks
(b) 16 to 21 years of age	4.25	3.50	3.00	2.50	"
(c) 14 to 16 years of age	2.50	2.25	2.00	1.75	"
2. Female Persons					
(a) over 21 years of age	3.50	3.00	2.50	2.25	"
(b) 16 to 21 years of age	2.50	2.25	2.00	1.75	"
(c) 14 to 16 years of age	2.00	1.75	1.75	1.50	"

Supplementary family allowances to married persons were also fixed:

For	In Localities within District Groups				Marks
	A	B	C	D & E	
(a) the wife	1.50	1.50	1.25	1.00	
(b) the children and other members entitled to assistance	1.00	1.00	1.00	0.75	"

Of these grants it was specified that the National Government should pay one-half, the particular States one-third, and the remainder, one-sixth, should be paid by the Municipality.

Various difficulties, however, were soon encountered. While the Order Governing Unemployment appeared most necessary at the time of its promulgation, its effects in many ways were very unsatisfactory. The rates of allowance were so high in comparison with wages, which at that time had not yet risen to excessive peaks, that the incentive to work was frequently lost.

The *Deutscher Reichsanzeiger* of January 29, 1919, for example, contains a statement prepared by the German Department of Labor Statistics which says:

"In December (1918) the principal industries showed for the most part an accentuated tendency towards reduced activities as compared both with the preceding month and with the corresponding month of 1917. Unemployment continued to increase in a marked degree. This was not altogether due to the scarcity of work brought about in many localities by the shortage of raw materials, but was to some extent caused by disinclination for work. In many places the principal cause of the scarcity of labor was stated to be the high rate of unemployment pay. The many strike movements and the political situation in Germany also had a very adverse effect upon the labor market. Thus, for example, it is reported from Frankfort-on-Main that many factories could have taken on unemployed workers if the wages demanded had not been quite out of proportion to the present earning power. As a result, employers were reluctant to undertake fresh business, although in certain trades large contracts were waiting to be signed."

Again on February 26, 1919, the *Deutscher Reichsanzeiger* contains the following statement of the German Department of Labor Statistics:

"Reports received by the German Department of Labor Statistics indicate that the general industrial situation underwent further deterioration during January (1919). Violent disputes concerning wages, which extend to wider and wider circles, often without any comprehension of the inter-

dependence of economic interests, and which threaten ultimately to become disastrous for the Nation, together with wanton strikes, which are partly political in nature, menace the economic foundation of the Empire. The various branches of industry are most heavily burdened by these things, and the very urgent economic reconstruction is more and more delayed. Reorganization in industrial undertakings is rendered impossible, and in this way the spirit of enterprise is practically paralyzed. In addition, there are also difficulties arising from the increasing unwillingness to work and the decline in production among a large part of the industrial population, which is to some extent due to insufficient nourishment and partly to other causes, as, for example, the transition from piece-wage to time-wage. . . . In spite of the various revisions of the Order of November 13th, governing assistance to the unemployed, which was based on the principle of obligation to work, the number of persons without employment has largely augmented. In the whole of Germany it increased from about 500,000 at the beginning of January to over 900,000 at the beginning of February."

According to the *Frankfurter-Zeitung* of October 12, 1919, there was expended in unemployment grants throughout Germany from November 13, 1918, the date when the initial Order Governing Unemployment was issued, to October 4, 1919 — a period of less than eleven months — a total of 4,500,000,000 marks. From December, 1918, to September, 1919, according to the *Münchener Neueste Nachrichten* of October 30, 1919, the city of Leipzig expended 42,500,000 marks for unemployment grants; the magnitude of this sum is apparent when it is noted that during the three-year period, 1915-1917, the city of Leipzig spent 3,000,000 marks for similar purposes.

While the expenditure of these extraordinary sums indicates the great volume of unemployment, it gives evidence also of the serious abuses of the unemployment grants. On the one hand there was lack of desire to work, particularly so since the unemployment grants made it possible for one to live without working. Frequently those receiving unemployment allowances instead of securing permanent work carried on a lively and very profitable street peddling, and also by all sorts of odd jobs earned considerable sums. On the other hand, the authorities in charge of the unemployment grants functioned very imperfectly. In the turbulent months from the revolution until the middle of the year 1919,

governmental administration was lax, and because of the defective measures for control and supervision of the unemployment allowance various serious abuses continued to creep in. To remedy these the Order of November 13, 1918, was amended by another dated January 15, 1919, and again amended on April 16, 1919, and February 1, 1920.

Under the terms of this last Order (*Reichs-Gesetzblatt*, Jahrgang, 1920, Nr. 17, pp. 98-108) it was provided as follows:

The Municipalities are required to establish a system of unemployment benefits separate from Poor Relief. Contributions to the unemployment fund shall be in the following proportions: from the Municipal authorities two-twelfths; from the State to which the Municipality belongs, four-twelfths, and from the Federal Government six-twelfths. The Federal Government's appropriation may be increased in the case of Municipalities weak in resources. The cost of administration shall be met by the Federal Government.

Authority to grant relief shall rest with the Municipality in which the unemployed person maintains his residence. Discharged soldiers in need of relief immediately after their release from the army are to receive four weeks' benefit in the place to which they are dismissed; thereafter they are to receive relief on the same terms and conditions as civilians. Except where this is impossible, or where a family has established a new domicile, all persons are required to return to the places in which they were resident prior to August 1, 1914, in order to be eligible for benefit.

Unemployment benefits are to be granted only to those over sixteen who are able and willing to work but unable to secure a position. Unemployment due to strikes or lockouts is not to be regarded as cause for benefit. At least four weeks must elapse after the termination of a labor dispute before unemployment benefit may be drawn. Persons with incomes, except where these are insufficient for subsistence, are ineligible for benefit. Dependents of a person receiving relief are not entitled to individual benefit, but a supplementary family payment may be made. The total allowance of any family shall be limited to two and one-half times that of the maximum benefit of any member thereof. Refusal of employment offered by the authorities shall be regarded as sufficient ground for termination of benefit privileges.

Municipal Authorities are permitted to fix the kind and amount of allowance, and a short waiting period, not to exceed one week, as a condition determining unemployment. In lieu of money benefit, the allowance may be paid in food

or in other useful articles, in partial payment of rent, etc. In no case is the allowance of a family to exceed one and one-half times the prevailing wage in the locality and it is urged that the allowance shall at least equal the prevailing local wage. A maximum scale of benefits per day is fixed as follows:

	<i>For</i>	<i>In Localities within District Groups</i>				
		A	B	C	D & E	
1.	Male Persons					
	(a) over 21 years	6.00	5.00	4.00	3.50	Marks
	(b) under 21 years	4.25	3.50	3.00	3.50	"
2.	Female Persons					
	(a) Over 21 years when they do not live in the household of another	5.00	4.50	3.50	3.00	"
	(b) Over 21 years when they live in the household of another	4.25	3.50	3.00	2.50	"
	(c) Under 21 years	3.00	2.50	2.25	2.00	"

Supplementary family allowances must not exceed the following rates per day:

	<i>For</i>	<i>In Localities within District Groups</i>				
		A	B	C	D & E	
	(a) the husband or wife	2.50	2.25	2.00	1.75	Marks
	(b) the children or other dependents entitled to out-of-work allowances	1.75	1.75	1.50	1.25	"

Special winter allowances may also be granted and nationals of other countries resident in Germany may, if their own nation extends similar privileges to German citizens, receive unemployment allowances.

Relief Committees are urged to cooperate with the authorities in securing employment and to regard the system of unemployment benefits as a temporary measure of relief. Loans or grants of money from unemployment funds may be made by the Ministry of Labor wherever they will be used for the purpose of increasing opportunities for work.

The Order is not intended to interfere with unemployment benefits paid by the trade union organizations. It is provided, however, that the trade union may be made the agency of payment of relief, if under its constitution and by-laws it grants allowances to unemployed members, and if it furnishes a guarantee that payments will be made in conformity with the provisions of the Order.

The decree, with the exception of the paragraph covering benefit of foreign citizens resident in Germany and unemployed, is effective February 1, 1920.

This last Order represents a substantial improvement over the previous Orders. Thus, Section 2 of the New Order contains the sentence:

"The purpose of these measures is in every single instance to put an end to unemployment by the resumption of work. Only in so far as it is impossible to accomplish this purpose shall allowances in conformity with the following schedule be granted."

Provision for the unemployed is thus definitely recognized as a measure of relief, which without exception is to be regarded as temporary in character.

Another new feature is that the allowance is to be paid only to persons sixteen years of age and over, whereas under the old Order all unemployed persons over fourteen years were entitled to unemployment relief.

The following statement in Section 6 of the Order is important:

"Unemployment is not to be regarded as a consequence of the war when its predominant cause is a strike or a lockout. A minimum of four weeks shall elapse after the outbreak of a strike or lockout before the Municipalities may grant unemployment benefits to employees under the terms of the general provisions of this Order."

The employment exchanges have, it is true, already refused the payment of unemployment benefits in cases of unemployment consequent upon a strike, but in many instances differences of opinion over the interpretation of this section have arisen and it appears that some more definite statement under this head will have to be enunciated.

Further along in Section 6 of the Order is the following statement, which is also important:

"Dependents of an unemployed person receiving relief who would have a claim upon him for support based on legal family relationship, or who would have such a claim were he capable of working, and who up to the time of his need of relief were supported by him wholly or mainly shall not be granted any separate unemployment allowance. In such cases the allowance shall be proportionately increased (supplementary family allowance).

Further along in the same paragraph it is specified that:

"Separate allowances received by the several members of a family living together in a common household shall, in their

total amount, not exceed two and one-half times the maximum allowance to which any member of the family is entitled. In the interpretation of this rule the head of the family shall be considered a member thereof."

These provisions have proved necessary in view of the inordinate sums which many families would receive were their unemployment allowance itemized according to the individuals within the family group, and the sum totaled.

Significant, also, is the statement in Section 9, that the *supplementary* family allowances which an unemployed person may receive must in the aggregate not exceed one and one-half times the allowance to which he is individually entitled. Thus, an unemployed person receiving an unemployment allowance of six marks cannot receive more than fifteen marks inclusive of his supplementary family allowance.

The relief allowances for male persons which are specified in the Order now in effect are the same as those fixed in the previous Order. Considering the increase in wages which has, however, taken place in the meanwhile, this is practically equivalent to a reduction in unemployment benefits. The present scale of allowances is, therefore, proving a powerful stimulant to resumption of work. The allowances for female persons have been slightly increased over those formerly in effect.

Exceptionally important is the new statement in Section 13:

"It is the duty of the relief allotment committees to work in close harmony with the employment agencies to the end that unemployed persons receiving benefit may secure satisfactory employment with the greatest despatch. For this purpose all persons who have drawn benefit for any considerable period in a particular district shall, after detailed reference to the Ministry of Labor, be reported to the Central Clearing House or other proper authorities, together with a statement of their fitness for work."

The relief committees are thus expressly directed not only to grant relief, which is equivalent to paying alms, but to devote their utmost attention to placing persons in employment.

The new wording of Section 15 operates in the same direction, for according to it the Minister of Labor is empowered to grant out of the unemployment benefit

funds, loans or contributions for the support of measures designed to terminate unemployment allowances and to create opportunities for employment.

The special task of the Municipalities will, therefore, be to foster on a greater scale than heretofore constructive measures for the care of the unemployed. Of particular importance is the allocation of the labor supply so that workmen may be moved out of localities and occupations in which an oversupply of labor exists to those where labor is in demand, such as mining and farming. The chief obstacles to this plan lie, however, in the housing shortage.

Unemployment has, since February, 1920, shown a distinct decline. The following table is indicative of the situation in Berlin:

NUMBER OF PERSONS UNEMPLOYED

<i>Date</i>	<i>Berlin</i>	<i>Greater Berlin</i>
December 19, 1918	62,069	93,569
January 10, 1919	102,735	135,135
January 26, 1919	147,148	199,148
February 21, 1919	187,288	276,288
April, 1919	179,727	258,327
July, 1919	140,485	189,485
August, 1919	100,054	141,854
October, 1919	78,395	113,395
January, 1920	59,103	93,303

As will be seen, the high point was reached in February, 1919; since then a steady decline is apparent.

The immediate task in the efforts to cope with the unemployment problem in Germany seems to be to substitute for an outright and unrestricted allowance granted by the State, an unemployment insurance plan to which employer, employee, and the State shall contribute. A law having such an object in view was prepared a few months ago by the Ministry of Labor but has not yet been promulgated. Again efforts to effect immediate improvement have been interrupted by political events.

IV

THE WORKS COUNCILS MOVEMENT IN GERMANY

When the revolution of November 9, 1918, broke out there were immediately set up in all parts of the country Councils of Workmen and Soldiers. These were modeled after the Russian Councils, and they were to be found in the field of industry, in commerce, in the administrative service of the Nation, the States, and the Municipalities, and in almost every type of enterprise. These Councils took over to themselves all powers and privileges that they could, depending largely on the amount of interference which they encountered. In many cases the powers which they assumed were little less than seizure of authority by a few aggressive and energetic persons. In December, 1918, all of these Councils were brought together into a vast General Congress of Councils which met in Berlin from December 16 to December 20, 1918. This Congress of Councils was declared to be the single dominant power existing in Germany. From the Congress, the six "delegates of the people" who, in the absence of a constitutional government, attended to the business formerly entrusted to the ministers, held their authority.

For a while it seemed as if the trend of affairs would be the same as that in Russia, but through the efforts of the middle-class elements and of the Majority Socialists it was finally provided that a National Assembly be elected by the people. It should be remembered that following the revolution there was no central legislative or administrative authority in Germany. The system of Soldiers' and Workmen's Councils was in itself a mass of confusion. The National Assembly was, therefore, suggested as a means of putting the young republic on its feet and also of presenting a means for adopting a constitution as a basis for orderly government and providing also such legislative measures as were required. The extreme radicals and Communists naturally favored the Councils after the Russian model, but, notwithstanding their vigorous opposition, the elections to the National Assembly were held on January 16, 1919, and on February 6th following, the National Assembly began its sessions at Weimar.

From this date on the General Congress of Councils, which had derived its powers solely out of the so-called "right to revolt," was no longer to be regarded as the rightful representative of the German people. In the National Assembly the people had by an orderly, equal, and secret vote elected a body which was in a position and was empowered to give expression to their will. Nevertheless the power of the Councils was still great, so great, in fact, that in spite of their assumptions of authority without legal sanction and their extraordinary squandering of public money, they were for a time tolerated by the Government. A second General Congress of Councils was held from April 8 to April 15, 1919. This Congress gave its particular attention to the problem of evolving a systematic plan for creating an organization of Councils. Meanwhile the Government, which after the setting up of the National Assembly had taken an attitude of opposition to the organizations of Councils and urged that the structure of Councils should be demolished and that all constitutional power should be vested in the National Assembly, had modified its standpoint. In response to general public insistence, the Government promised to develop within the German system of democratic government a body of Works Councils that would have legal standing.

At the second General Congress of Councils four different plans were presented. First, there was the method of organization urged by the Independent Socialists. Under the slogan "All Power to the Workers' Councils," they sought to establish a Congress of Councils as the highest power in the land and urged that manual workers only should be eligible for election on the Councils. The second plan of organization, fathered by the Majority Socialists, aimed to create Production Councils to be composed of employers and employees which would ultimately become "Chambers of Labor" in the Nation, the State, and the Municipality. The third plan was one favored by the Government and was in many features like that of the Majority Socialists except that it proposed some different functions for the Councils. The fourth plan proposed by the Democratic Party was not very clearly defined.

The Congress of Councils came to no conclusion on this question, because the proposals made were in such direct

conflict with one another and no basis for agreement existed. It did, however, result in the splitting up of the Councils, which had so far existed without a legal basis, and a so-called "Central Council of Workmen's Councils of Germany" was created as a central organization of the numerous Councils in Germany. In the elections to this Central Council the Independent Socialists and the Communists (Spartacists) took no part. Instead of that, they brought together the Workmen's Councils of Greater Berlin and formed a so-called Executive Council as an organ of their own. While this Executive Council at first included all the Workmen's Councils in Berlin, it was split up by the withdrawal of the Democratic and Majority Socialist Workmen's Councils and also of the so-called "Yellow" or conservative Councils. Thereafter, the Executive Council was composed of the "Red," or extreme socialist, organizations and was to be regarded as the chief organ of those Workmen's Councils in Germany which were revolutionary in character and were opposed to the National Assembly and to the constitution.

Meanwhile the National Assembly devoted its main attention to framing a new Constitution for Germany. One of the major features in this task was to determine the organization which should be specified and the authority which should be accorded the Councils in the constitution. Article 165 of the Constitution, as finally framed, provides as follows:

ARTICLE 165

"The workers and office employees are qualified to take part with equal rights and in co-operation with the employers in the regulation of wage and labor conditions, as well as in the entire economic development of the productive forces. The organizations on both sides and their unions are recognized.

"The workers and office employees shall receive legal representation in the Factory Workers' Councils as well as in the District Workers' Councils grouped according to economic districts, and in a National Workers' Council, for the purpose of looking after their social and economic interests.

"The District Workers' Councils and the National Workers' Council shall meet together with the representatives of the employers and of other interested circles of people in District Economic Councils and a National Economic Council for the purpose of carrying out the joint economic tasks and for co-

operating in the putting into effect of the laws of socialization. The District Economic Councils and the National Economic Council shall be formed so as to provide for the proper representation therein of all the important trade groups according to their economic and social importance.

"Social-political and economic-political drafts of laws of fundamental importance are to be submitted by the National Government to the National Economic Council for its opinion before presentation. The National Economic Council shall have the right itself to propose such plans of laws. If the National Government does not agree with it, it shall have the right, nevertheless, to present the proposal to the Reichstag with an exposition of its standpoint. The National Economic Council may have its proposal represented by one of its members before the Reichstag.

"The Workers' and Economic Councils may have conferred upon them the powers of control and administration in the fields turned over to them.

"The building up of the Workers' and Economic Councils and the defining of their duties, as well as their relation to other social self-administrative bodies, shall be exclusively matters of the Nation."

In carrying out this Article 165, the Government in August, 1919, presented a proposed law governing Works Councils. In connection with this proposal, which was in itself of no small significance, there developed among the public and within the National Assembly a discussion of great intensity such as is rarely met with in connection with proposed legislation. The representatives of industry opposed the extensive authority accorded to employees and particularly the right of labor to participate with the employer in the selection and dismissal of workers and also the obligation of industrial establishments to exhibit their books and balances to the Works Councils from time to time. On the other hand, the representatives of the Executive Council previously referred to, and the representatives of those workers who were extremely radical in their tendencies, did not consider that the proposed law went far enough or that it gave to the working classes the power in the management of plants to which they were entitled. They called the proposed law "capitalistic" and suggested the establishment of a new revolutionary system of Councils. They set out to defeat the bill by various means but, partly on account of the energetic intervention of the Government, and partly also because the working classes themselves did not

present a compact unit behind their radical leaders, their attempt failed. Nevertheless, although this opposition ended in failure, it was not possible for the Government to make any headway or to reach an agreement on this new legislation. Not until January, 1920, after endless difficulties which for a time threatened to bring about a crisis in the Government, and after numerous compromises and modifications in the law, was its final passage possible.

The Works Councils Law has been in force since February 9, 1920, and is the first and only law governing Works Councils that has legal validity in Germany. In the last paragraph of this law it is expressly provided that all previous forms of Works Representations and Councils, including the Manual Workers' and Clerical Employees' Committees which had legal standing, should cease to exist. The radical workers subsequently gave up their attempts to undo the working of the law and, contrary to their original intentions, determined to participate in the elections to the Works Councils provided for in the law.

An interesting situation has already arisen. The Independent Socialists have announced that they will put up candidates and by securing control of the Works Councils make these agencies of its own political power. On the other hand, the Executive Committee of the General Federation of Trade Unions which, next to the General Congress of Trade Unions, is the highest authority in the trade union movement in Germany, has determined that the elections to the Works Councils must not be reduced to a test of political power and that trade union lists of candidates shall be set up, the trade union and occupational affiliations of the candidates and not their political attitude to be the sole considerations in the elections to the Works Councils. While the elections to the Councils will undoubtedly be accompanied by a certain amount of excitement, there is general gratification that they will at least take place on the basis of legality and in an orderly manner.

V

THE WORKS COUNCILS LAW

Among the important laws governing the relations of employers and employees, one of the most important is the Works Councils Law, which went into effect on February 9, 1920. Provision was made for such a law in Article 165 of the National Constitution, adopted in August, 1919. The law stipulates that Works Councils shall be formed in all establishments having twenty or more employees. The law provides that in determining the number of employees both manual and clerical workers shall be counted. In other words, both the wage-earners and the salaried employees are taken account of. Each group, however, has the right to choose its own representatives on the Works Councils. It is provided, also, that in establishments with less than twenty but more than five employees, there shall be elected a Shop Leader. If the wage-earners and salaried employees within an establishment cannot agree on a single person as their Shop Leader, each group has a right to elect a Leader of its own, provided that at least five persons are comprised within the group. Where at least twenty home workers are employed in an establishment these, too, have a right to elect a Works Council to represent their interests. Farm laborers must be at least ten in number and these ten must be permanent employees, to come under the law.

Apart from the Works Councils, whose chief function shall be to represent all employees, Councils to represent *special* groups of wage-earners and salaried employees may be elected. It is provided, also, that the Works Councils shall consist of at least three but not more than thirty members, who shall be elected by secret ballot, proportional representation to be given to wage-earners and salaried employees.

The law specifies that the size of the Works Councils shall be in proportion to the number of employees within an establishment as follows:

<i>Size of Works Councils</i>	<i>In Establishments of</i>
3 members	20— 49 employees
5 "	50— 99 "
6 "	100— 199 "
7 "	200— 399 "
8 "	400— 599 "
9 "	600— 799 "
10 "	800— 999 "
11 "	1,000—1,499 "
12 "	1,500—1,999 "
13 "	2,000—2,499 "
14 "	2,500—2,999 "
15 "	3,000—3,499 "
16 "	3,500—3,999 "
17 "	4,000—4,499 "
18 "	4,500—4,999 "
19 "	5,000—5,499 "
20 "	5,500—5,999 "

Beyond 6,000 employees it is provided that there shall be one additional member on the Works Council for every 1,000 employees, until in the case of establishments of 15,000 or more employees a maximum of 30 members on the Works Council has been reached.

Both wage-earners and salaried employees must be represented in the Works Council in proportion to their numbers in the above ratio, but inasmuch as provision is also made for minority representation of special groups, it is provided that these groups must number and be represented as follows:

<i>Number of Representatives</i>	<i>Number of Members in the Group</i>
2	50—299
3	300—599
4	600—999
5	1,000—2,999
6	3,000—5,999
8	6,000 and over

Above the separate Works Councils in individual establishments there are to be Workers' and Salaried Employees' Councils, which are in essence Group Councils. These are to be composed of the members of the Individual Works Councils, with supplementary members to be added by vote.

Both wage-earners and salaried employees must be represented in the Group Councils by the same proportionate number of representatives as is specified in the table given above. It will be seen, therefore, that all members of the individual Works Councils are also members of the Group Councils, but that all members of the Group Councils are not necessarily members of the

Works Councils. Where in a given community the same manufacturer maintains several plants, a general Works Council may be formed from those members of the separate Works Councils. Wherever such a general Works Council is formed it shall deal only with matters that relate to the particular enterprise as a whole, and it shall not be divided into separate councils of wage-earners and salaried employees.

Both male and female persons at least eighteen years of age, who are in possession of full civic rights, are entitled to vote for members of the Works Councils. A person to be eligible to election as a member of the Works Council must, however, be at least twenty-four years old, a citizen of Germany, in possession of full civic rights, must have completed his trade training, and have been employed for at least six months in the particular establishment and for at least three years in the same branch of industry. Works Councils having nine or more persons are to elect a Works or Business Committee of five persons, which shall choose a first and second chairman from within its membership. Works Councils with less than nine members shall elect simply a first and second chairman.

As far as possible, meetings of Works Councils are to be held *outside* of working hours and are not to be public. Besides attending those meetings of which he shall have been notified, the employer must attend all those meetings called at his suggestion. The chairmanship may be entrusted to him in meetings of the latter character.

On motion of one-fourth of the members of a Works Council, one delegate of each trade union or economic organization of workmen represented in the Works Council may come to and participate in the meeting, but his functions in such cases shall be advisory in character. Similarly the employer may require that one delegate from each employers' association or economic organization to which he belongs shall attend the meeting which the employer is himself entitled to attend, but again the delegate's powers shall be advisory.

Members of Works Councils are to serve without pay, their offices being regarded as positions of honor. Expenditures incidental to the holding of the meetings must be paid by the employer, whose duty it is also to provide suitable rooms and facilities for the meeting,

office-hour schedules, and other requirements, so that the Council may properly transact its business. Membership in the Works Council is to cease by resignation, by the termination of the employment contract, or by loss of eligibility of the member. In cases of gross violation of duty the Committee on Arbitration and Adjustment (Section 3, below) may terminate the membership of the guilty person, and if the matter concerns the entire Works Council the Committee on Arbitration and Adjustment is empowered to order the dissolution of the Works Council.

Meetings of the employees within an establishment should, as a matter of principle, take place *outside* of working periods. Only in urgent cases and with the consent of the employer shall this rule be disregarded. Whenever the employer calls a meeting of his employees he must give proper notice thereof. At all such meetings he has a right to appear in person or to appoint a representative.

The functions of a Works Council shall be:

1. By advice and counsel to support the management of the works, in order thereby to best further the condition of the plant and its most efficient economic operation.
2. To cooperate with the management in the introduction and application of new methods of work.
3. To defend the plant against disturbance, but without thereby encroaching upon the powers of the labor organizations of manual and clerical employees. When conflicts in the Works Council or of all or part of the employees arise, and an agreement cannot be reached, appeal shall be made to the Adjustment Committee or to the joint Conciliation and Arbitration Committee.
4. To secure the enforcement of decisions and awards of the Board of Conciliation or of a joint Conciliation and Arbitration Court, whenever such decisions and awards have been accepted and recognized, and affect the whole establishment.
5. To fix for the employees, and within the scope of the existing wage agreement, general working rules.
6. To effect understanding within the ranks of the employees, and between the employees and the employer; and to foster, defend, and promote the right of the working classes to organize.
7. To receive and consider complaints of the wage-earners and salaried employees, and in cooperation with the employer

to supervise the enforcement in the establishment of the collective agreements affecting it.

8. To combat dangers to health or to life of workmen, and support the factory inspection service in combating such dangers.
9. To cooperate in the administration of pension funds, industrial housing schemes, as well as in other efforts to improve the condition of those within the establishment.

Upon the management rests the responsibility of carrying out conclusions reached within the Works Council with its consent. The Works Council has no right to interfere in the management of a plant by adopting separate and independent rules which do not have the approval of the management. The Works Council has the right, however, in so far as no business secrets are thereby exposed, to request and be given information governing all the activities of a plant which may affect the working agreement and shop rules. Furthermore, the employer is required to make a report quarterly regarding the conditions and progress of the enterprise, and of the trade or industry in general, concerning also the yield of the plant and conditions of employment that must be anticipated. In plants having 300 wage-earners or 50 salaried employees the Works Council may require annually a financial statement indicating also the profit and loss within the establishment.

In enterprises where there is a Group Council the Works Council shall be represented therein by one or two of its members. These representatives shall have a right to be present at all meetings, to participate and vote therein, but shall receive no compensation therefor. They are pledged to maintain complete silence with respect to confidential statements imparted to them. Whenever, as a result of extension, reduction, or stoppage of a plant, or as a result of the introduction of new technical methods or new arrangements or methods of work the lay-off or discharge of a considerable number of employees is necessitated, the employer is required to place such matters before the Works Council.

In plants having more than 100 employees the Works Council may set aside a regular time for consultations on a certain day or on several days of each week. During these office hours the employees shall be permitted to present their wishes and complaints. Whether the hours

of consultation shall take place during the working period is a matter for arrangement with the employer.

The Group Councils have the following functions:

1. To make regulations for and to supervise the enforcement within the plant of all labor legislation, of collective agreements, and of awards and decisions of the Courts of Arbitration and Conciliation.
2. In so far as the working conditions are not regulated by collective agreements, the Group Council shall, in agreement with the interested economic organizations of wage-earners and salaried employees, take part in the regulation of wages and working conditions, such as the fixing of time, piece, and job rates; the introduction of new methods of wage payments; the determination of hours of work; the prolongation or curtailment of the regular working period; the granting of leaves of absence and vacations to employees, and the settlement of complaints relating to the training and treatment of the apprentices in the particular establishment.
3. To assist in the drafting of working rules.
4. To investigate complaints and obtain their settlement by mutual arrangement with the employer.
5. In cases of conflict where the Works Council has refused to consider an appeal, to make such an appeal to the Board of Conciliation or to a Conciliation and Arbitration Committee agreed upon.
6. To provide against danger from accident or disease and to assist in the prevention of accidents.
7. To aid in finding suitable employment for persons injured either in the war or in industry; by means of counsel, stimulation, protection, and intervention with the employer and fellow workers of an injured employee, to do everything possible for him.
8. Unless provision is made therefor in the collective agreement, to reach an understanding with the employer with reference to the introduction of new workers in the establishment.
9. To make provision for employees dismissed in the particular establishments.

It is important to note that the rules worked out under Section 8 above contain clauses which provide that the employment of any person must not be conditioned upon his political, religious, or trade union activities. Beyond this rule, and so long as he abides within the rules fixed, the employer is free to employ or to refuse to employ

any person as he will. The Works Council has no right to interfere. Wherever infringements of the conditions of work occur protest can be made within five days.

With regard to dismissal of employees, the employee has the right in cases of discharge to call upon his Group Council for assistance when:

- (a) There is a well-founded suspicion that discharge was due to membership in a particular race or family, or on account of political, military, religious, or trade union activities.
- (b) When dismissal has taken place without any reason therefor.
- (c) When dismissal has resulted from the employee's refusal to perform for any lengthy period work other than that which he was originally hired to perform.
- (d) When the dismissal does not seem to be merited by the conduct of the worker or appears as a punishment which is unjustifiably severe.

If the Wage-earners' Council or the Salaried Employees' Council finds that the appeal is well founded, it is its duty to effect an understanding with the employer. Should its attempt to do so within a week fail, it may call upon the Arbitration Committee. If the Arbitration Committee decides that the complaint against the dismissal is justified, the employer has a right to choose whether he will reemploy the worker or whether he will pay him an indemnity. This indemnity is to be computed according to the number of years during which the employee has been in the particular establishment. The employee, on the other hand, has the right to refuse to be reemployed.

Members of a Works Council or of a Wage-earners' or Salaried Employees' Council may be dismissed or transferred to another plant only when the organization of which they are members agrees to it. Such an agreement is not, however, required in the following cases:

- (a) When the dismissal is based on obligations imposed by law, or when it rests on provision in a collective agreement, or on a decision or award of an Arbitration Committee or of a Joint Board of Conciliation and Arbitration.
- (b) Where the dismissal is incidental to the closing down of the plant.
- (c) Where under the law regulating conditions of employment prior notice of dismissal is not required.

When the dismissal, without notice, of a member of a Council is declared to be unjustified by a Court having legal powers, or as a result of a decision or verdict of a Board of Conciliation, the dismissal shall be withdrawn by the employer. In such cases the employer has no choice as to whether he will reemploy or pay an indemnity. When the consent of a Council to the discharge of one of its members is required and is refused, the employer may call upon the Board of Conciliation, which may in its judgment grant the relief which the Council has refused. Until the Board of Conciliation decides, however, the employer must continue to give employment to the employee.

Employers who deliberately interfere with the right of their employees to vote for representatives on the Councils, or in any way restrict or hinder members of the Councils in the performance of their duties, are subject to penalty of arrest or fine up to 2,000 marks. The same penalty may be invoked against an employer who deliberately interferes in the selection of a chairman, or in any other way violates the Works Councils Law.

Infringements of the law with intent to deceive may be punished by imprisonment not exceeding one year, or by fine not exceeding 10,000 marks. Employees who without authorization reveal confidential information given to them may be punished by arrest or imprisonment, or by a fine not exceeding 5,000 marks. If it appears that the intent of the employee is to achieve financial gain from the disclosure of such information, the penalty may be imprisonment not to exceed one year.

It is provided, also, that as soon as the first election to the Works Councils takes place, all existing Works Councils and Councils of Wage-earners and Salaried Employees shall go out of existence.

VI

THE PROVISIONAL NATIONAL ECONOMIC COUNCIL

Article 165 of the National Constitution of Germany provides for the creation of a National Economic Council, which is to serve as a keystone to the Works Councils organizations specified in the Constitution. The National Economic Council will have the right to approve legislative bills of fundamental, social, and economic significance before these are introduced in the Reichstag. It will also have the right itself to formulate such legislative measures. Under the Constitution the Council will also have power to submit to the Reichstag a statement of its own views on legislative measures which are definitely opposed by the Government. The Constitution also specifies that the Council shall have the right to have any legislative proposal initiated by it presented by one of its members to the Reichstag. It will be seen, therefore, that the National Economic Council will supplement the democratic form of government, and by its creation Germany will have a special economic deliberative body, whose task it will be to supplement and support the popularly elected Reichstag in economic matters.

In compliance with the provision in the Constitution, the Government recently made public the draft of an Order the object of which is to establish a Provisional National Economic Council. In view of the fact that the other Councils organizations for which provision is made in Section 165 of the Constitution, such as the National Labor Council and the corresponding employers' and employees' organizations, which are regarded as fundamental to the system of Works Councils, do not yet exist, no attempt has been made to set up the permanent National Economic Council, which is supposed to be the capstone of the entire Works Councils structure. Nevertheless, because of the importance which at present is attached to economic legislation, it was generally believed that the creation of a non-political Parliament of economic experts to be supplementary to the Reich-

stag or to the National Assembly would not be so long delayed. It was for this reason that the proposal was made for the establishment of a Provisional National Economic Council, one of the principal objects of which will be to prepare the way for the permanent National Economic Council.

The Provisional National Economic Council will have its headquarters in Berlin and will consist of 200 members. These are to be chosen from nine broad occupational groups, which are further subdivided into other groups classified by occupation and locality. In the first occupational group — the subdivisions of which are agriculture, forestry, and fisheries — there are to be 46 representatives of the Agricultural interests. The second group is to be composed of 46 representatives of Industry. The third group is to consist of 30 representatives of Commerce, Banking, and Insurance. In the fourth group are comprised Communication (water transportation, postal service, and railway transport) and Municipally Owned Industries; these are to be represented by 14 delegates. The fifth group is to be composed of 10 representatives of Handicrafts, the sixth of 20 representatives of Consumers, the seventh of 12 representatives of Government Officials and of the Professional and Artistic callings. The eighth group is to consist of 10 persons especially familiar with the economic life of the different regions of the country; these 10 persons are to be named by the Privy Council. The ninth and last group is to consist of 12 persons to be chosen without restriction by the National Government from among persons who, through specially meritorious service, have to a notable degree improved or are aiming to improve the economic condition of the German people. It is definitely provided that of the representatives of groups one to seven, an equal number are to be nominated as representatives of employers and of employees, and that nominations shall be made through the proper occupational organizations which are specifically mentioned in the legislative draft.

It is provided that the delegation from Industry (group 2) shall be built up in the following manner:

A. ACCORDING TO TRADES

- I. 14 representatives of employers and
14 representatives of employees.

To be named by the Central Labor Commission of

Industrial Employers and Employees, due regard being had for the occupational groups. No representatives of Mining are to be selected. Of the representatives of Labor, at least two shall be delegates of salaried employees in technological industries.

- II. 2 representatives of employers and
2 representatives of employees.
To be named by the National Coal Council.
- III. 1 representative of employers and
1 representative of employees.
To be named by the National Potash Office.

B. ACCORDING TO GEOGRAPHICAL LOCATION

- I. 6 representatives of employers.
To be named by the German Chamber of Industry and Commerce from among those Chambers of Commerce in regions not sufficiently covered by the occupational representation.
- 6 representatives of employees.
To be named by the Central Council of German Works Councils from those regions not sufficiently covered by the occupational representation. Of these, at least one representative shall be a salaried employee in technological industry.

As in the case of Industry, so the other occupational groups must be composed of an equal number of representatives of employers and employees. Another fundamental provision of importance is that the votes of the producers and distributors of goods shall bear a proportional relationship to the votes of the groups of ultimate consumers.

In Article 5 of the proposed Order, the members of the Provisional National Economic Council are designated as representatives of the economic interests of the entire nation. They are not bound by specific instructions and are not liable in the courts or to those who appoint them because of their votes or expressions of opinion growing out of their membership or activity in the Council, and cannot be called to account for their acts outside its meetings. They thus enjoy the same immunity from prosecution as do members of the Reichstag. The sessions of the Council are to be open to the public, although it is provided that at the discretion of the Council the public may be excluded. The members of the National Government will at all times have free access to the sessions of the Council, and will also have a right to be heard on all occasions.

As to the powers and duties of the National Economic Council, it is provided that social and economic legislative measures of fundamental importance must, before their introduction, be submitted by the National Government to the Provisional National Economic Council for its approval. The Council has the right, also, to suggest legislative measures. It is its duty, further, to cooperate in the upbuilding of the Works Councils, Employers' delegations, and Economic Councils provided for in the National Constitution. It may, in order to deal with economic questions of a political character, even appoint a permanent committee which must be heard by the Ministry competent to do so.

The Provisional National Economic Council and its committees may, in seeking to clarify economic and socio-political problems, properly demand that the National Government, or one of its Bureaus, shall make inquiries into economic conditions. It may make use of these investigations and, except where forbidden by law, may demand that the results of these be submitted to it.

As soon as the bodies are created which will make possible the election of the permanent National Economic Council, the Government will order an election and fix the date of the first meeting of the permanent Council. When the latter has been convened the Government is empowered to order the dissolution of the Provisional National Economic Council.

These are the essential fundamental provisions of the proposed law. Whether the Provisional Council will be created in the manner in which it was intended is a problem which, in view of recent events, is difficult to determine. It should be noted, also, that a wide divergence of opinion exists among employers as to what bodies shall be empowered by law to name their representatives on the National Economic Council. On this issue the special branches of the Industrial groups who are united in the National Labor Commissions stand on one side, and the German Chamber of Industry and Commerce, as official spokesman of the local Chambers of Commerce, on the other. It may be noted that the latter regards as unjust the provisions of the proposed law for the election of 23 representatives of Industry, 17 by Labor Commissions, and only 6 by the Chambers of Commerce.

It will be interesting to watch this experiment in gov-

ernment with the assistance of an assembly of economic experts and industrialists whose competence will extend over every branch of finance, industry, commerce, communication, and other activities, and over all social and labor questions related thereto.

Since the information on which this report is based was received from its correspondent in Germany, the Conference Board learns that the Provisional National Economic Council met in Berlin on June 30, 1920. At this meeting there were present as representatives of Agriculture and Forestry, 68 persons; of Horticulture and Fishing, 6; of Industry, 68; of Commerce, Banking, and Insurance, 44; Communication and Transportation, 34; Handicrafts, 36; Consumers, 30; Officials and Professions, 16. In addition, 12 persons named by the Privy Council and 12 by the Government complete the Council, which thus has a membership of 326. — NATIONAL INDUSTRIAL CONFERENCE BOARD.

VII

THE SITUATION FOLLOWING THE MILITARY INSURRECTION OF MARCH 13, 1920

On March 13, 1920, a number of persons of monarchic tendencies succeeded, through an uprising of the military forces, in obtaining control of the National Government situated at Berlin. The leaders of this revolt were General Provincial Director Wolfgang von Kapp and Major General Baron von Lüttwitz. Prior to the war Dr. von Kapp had been a member of the Reichstag, belonging to the Conservative, or reactionary, Party. He became President of the German Fatherland Party, was a leading proponent of ruthless U-boat warfare from the beginning, and at the time of the armistice stood out as one of those who favored continuance of the war by Germany. When the armistice was signed the Independent Socialists in the Reichstag demanded his arrest, with that of Admiral von Tirpitz and other military leaders. His co-partner, Baron von Lüttwitz, had been Military Governor of Belgium in the early days of the war. Later he was a commander on the Verdun front. A Prussian of noble parentage, his leanings were reactionary and monarchic.

As soon as they had secured control of the National Government, Von Kapp was appointed Chancellor. The old Government, completely surprised by the suddenness of the events and deprived of the support of the troops upon whom they had counted, immediately took to flight. The insurrection had the support of only a small fraction of the people and could never have succeeded except for the treasonable support of a large part of the troops who were charged with the maintenance of law and order.

As a counter to the insurrection, the Government which had been displaced, in cooperation with the working class and that element of the citizenship opposed to a reactionary policy, issued a call for a general strike as the only means of preventing the return of the former Emperor Wilhelm II. The draft of the proclamation which they issued follows:

"Workmen, Comrades: The military revolt has come. Erhardt's naval division is marching on Berlin to enforce the reorganization of the Imperial Government. The mercenary troops who were afraid of the disbandment which had been ordered desire to put the reactionaries into the Ministerial posts.

"We refuse to bow to this military constraint. We did not make the revolution in order to recognize again today the bloody government of mercenaries. We enter into no covenant with the Baltic criminals. Workers, comrades, we should be ashamed to look you in the face if we were capable of acting otherwise.

"We say 'No!' And again 'No!' You must indorse what we have done. We carried out your views. Now use every means to destroy this return of bloody reaction.

"Strike. Cease to work. Throttle this military dictatorship. Fight with all your means for the preservation of the republic. Put aside all division. There is only one means against the return of Wilhelm II. Paralyze all economic life. Not a hand must move. No proletariat shall help the military dictatorship.

"Let there be a general strike along the entire line. Let the proletariat act as a unit."

This proclamation was signed by President Ebert, Chancellor Bauer, and the Ministers in the Cabinet in charge of Defense, Labor, Food, and Foreign Affairs, and also by members of the political parties supporting the former Government.

The extreme radical elements of the working class, that is those comprised in the ranks of the Independent Socialist Party and the Communists, although they had always opposed the previous Government, nevertheless took part in the general strike. They let it be understood, however, that the sole purpose of their action was opposition to the reactionary elements who had obtained control and that they were not in any way in sympathy with the former Government, which was composed of Majority Socialists, Democrats, and followers of the Center Party.

The effect of this joint action on the insurrectionary Government was that after a comparatively short period of control it was forced, on March 17, 1920, to capitulate unconditionally and to withdraw. But with this triumph of the former Government, law and order were not completely restored.

The radical groups, recognizing the unexpected opportunities which the military insurrection of the reactionaries had opened to them, for example, attempted to overthrow even the former constitutional government and tried to set up in its place a republic of Workmen's Councils which they urged was the only method of securing a genuine Labor Government.

The danger of a military counter-revolution having passed, there appeared a growing movement towards Bolshevism. Governments modeled after the Soviet type were set up in a number of communities, but were quickly suppressed. Much bloodshed, however, took place as a result of these attempts. An indescribable chaos prevailed. This manifested itself in street brawls and appeals for the creation of a "Red" army and in other clamors, and was rendered the more acute because of the failure of the newspapers to appear and the fact that the great majority of the people throughout the city were more or less in the dark regarding the events which had transpired. By order of the Imperial Chancellor the publication of newspapers was prohibited and none were issued from March 13th, the day of the outbreak of the insurrection, until March 23d. It was explained that this action was taken because important negotiations with labor representatives were in progress and that these negotiations might be disturbed by premature publication. After interminable difficulties and protracted negotiations it became possible finally to effect an understanding between the trade unions and the representatives of the parties in control of the Government under the terms of which they bound themselves to recommend to their constituencies the following:

- "1. That in the approaching creation of new Governments in the nation and in Prussia, the question of personnel be solved by the several parties after agreement with those trade union organizations of manual workers, clerical employees, and officials who had taken part in the general strike; and that these organizations, with due regard for the rights of the representatives of the people, be accorded a decisive voice in the formulation of economic and socio-political legislation.
- "2. Immediate disarmament and punishment of all those who had participated in the overthrow of the Constitutional Government and also of all those officeholders who had placed themselves at the disposal of the unlawful Government.

- “3. Thorough house-cleaning of all public administrative offices and of the managements in industrial establishments of all persons who had taken part in the counter-revolution, particularly of those who had held leading positions and the substitution for them of trustworthy leaders; reinstatement of all representatives of organizations who have been disciplined for industrial or political reasons.
- “4. The promptest carrying out of administrative reform on a democratic basis with the approval of the trade union organizations of manual workers, clerical employees, and officials.
- “5. Immediate extension of existing social legislation and the enactment of new laws which would guarantee complete economic and social equality to manual workers, clerical employees, and officials; immediate enactment of a liberal civil service law.
- “6. Immediate beginning of the socialization of those branches of economic activity which are ripe for it on a basis of the recommendations of the Commission on Socialization; convening of the Commission on Socialization; Government ownership of the Coal Syndicate and the Potash Syndicate.
- “7. Effective control and, if necessary, seizure of available articles of food and the severest repression of extortionate charges and profiteering in cities and in rural regions; assurance of the fulfilment of promises of delivery through the establishment of delivery organizations and penalty of severe punishment for malicious violation of these promises.
- “8. Disbandment of all associations of counter-revolutionary troops that were unfaithful to the Constitution and the substitution for them of military organizations formed from among that body of trustworthy Republican population, particularly from organized manual workers, clerical employees, and officials without discrimination against any class. In this reorganization, the well-earned legal claims of those troops and Security Guards who remained loyal shall not be disturbed.
- “9. Withdrawal from the Government of Noske, Minister of Defense, and of Heine, who have already handed in their resignations.”

In connection with this agreement, the German General Federation of Trade Unions, the Industrial League of Free Unions of Clerical Employees, and the Federation of Government Employees issued the following proclamation:

"The Conference of representatives of those organizations of manual workers, clerical employees, and employees in the public service, who participated in the general strike, announces that although it is not entirely satisfied with the terms of the agreement arrived at in its negotiations with the representatives of the political parties in the Government, it nevertheless approves these and hereby declares the general strike terminated as of this day. — Berlin, March 20, 1920 — 7.05 A.M."

It should be noted that as a result of their participation in the general strike and the dominant hand which the unions obtained in the course of it, they were able to establish their new claim to dictate what the composition of future cabinets and what the programs of these should be and that they were further able to establish their right to enforce this dictation by general strikes. The formal agreement which the unions were able to force from the Government gave them, as indicated by the terms above, "a decisive voice in the formulation of economic and socio-political legislation." It also gave them the right to influence ministerial appointments since it was provided "that the question of personnel be solved by the several parties after agreement with those trade union organizations of manual workers, clerical employees, and officials who had taken part in the general strike."

It also gave them the right, under Section 4 of the agreement cited above, to participate in the proposed democratic reform of the administration. The granting of certain definite powers to such class organizations as had taken part in a specific strike was a marked departure from Constitutional Government. The unions were, however, masters of the situation and the Government had no choice but to yield.

It should be noted, however, that after this agreement with representatives of the manual and clerical employees and the officials had been effected, work was not immediately resumed nor could complete reestablishment of order be attained at once. The Berlin trade unions, for example, refused to recognize the agreement in spite of the fact that it had been signed by their representatives and other delegates from central strike headquarters, and so the general strike continued. Not until March 22d, and only through renewed conferences with the

Independent Socialist Party, which is composed of extreme Socialists, was it possible to effect a new agreement. As a result of this, the following statement was issued:

"After the representatives of the political parties in the Government had pledged themselves to advocate to their respective constituencies approval of the nine trade union demands, which together comprise the results of the general strike, and the group of delegates of the National Social Democratic Conference had determined not to budge from these demands, the presiding officer of the Independent Socialist Party recognized these as minimum demands, after the National Government had given binding and further assurance:

- "1. That the troops in Berlin would be withdrawn to the line of the Spree River;
- "2. That the very strict condition of martial law would be immediately relieved;
- "3. That the armed workingmen, particularly in the Ruhr section, would not be molested;
- "4. That the inclusion of workmen in the Security Guards in Prussia would be discussed with the trade union organizations;

"That in view of the recognition of the trade union program and the special concessions of the Government,

"All manual workers, clerical employees, and officials throughout the nation, particularly in Berlin and its environs, are requested to terminate the general strike beginning as of March 23d and to resume work everywhere.

"The undersigned trade unions and political parties pledge themselves in the event of failure to fulfil the trade union demands and of the breach of the Government's promise, to meet together anew and to decide the question of the further resumption of the general strike.

BERLIN, March 22, 1920.

The German General Federation of Trade Unions.
(Signed) LEGIEN.

The Committee of the Trade Union Commission of Berlin and Vicinity. (Signed) RUSCH.

The League of Free Unions of Clerical Employees.
(Signed) AUFHÄUSER.

The Central Committee of the Independent Social Democratic Party of Germany.
(Signed) CRISPIEN."

Thus the general strike came to an end and in the course of March 23d and 24th work was everywhere resumed.

VIII

THE ELECTIONS TO THE WORKS COUNCILS AND TO THE REICHSTAG

The elections to the Works Councils for which arrangements were made in March, 1920, and which were interrupted by the military *coup d'état* of Von Kapp and the general strike which followed as a result of it, took place in April and May, 1920, and were carried out without appreciable excitement or incident. The political parties, recognizing the importance of the Works Councils, made an effort to secure control of them. In spite of the cooperation of the conservative and less radical parties to prevent the extreme radical Independent Socialists from securing control, an overwhelming number of Independent Socialists were elected to the Works Councils.

Whether the factory managements and the newly elected Works Councils will be able to work together in harmony is yet problematic. The initial meetings which have taken place between the newly constituted Works Councils and employers have been characterized by the utmost friendliness, and were not essentially different from previous meetings with committees of manual and clerical workers within the establishment. What the ultimate outcome will be cannot possibly be determined until a number of months have elapsed and until the final organization of the Works Councils has been concluded, and more experience with them has been had. The trade unions have, so far, undertaken to organize a Central Works Council. The more radical labor groups say that the purpose of this step is to build up battle formations to aid in the class struggle, and to further the social revolution to which all the extreme Socialists, of course, look as a means of placing the proletariat in supreme control. The more moderate labor groups, however, state that the aim of this Central organization is to educate the Works Councils so that they may be best fitted to carry out their legitimate functions.

It is generally felt that the coalition of the Works Councils within the trade union ranks is preferable to such a coalition within the ranks of the political parties.

The Independent Socialists, to be sure, worked with great energy to effect a coalition of the Works Councils within their party ranks; it did not, however, take place. This is regarded as fortunate for Germany since, as a choice, the trade unions offer greater assurance of responsible dealings between employer and employee than do political parties. Much will, of course, depend on which trade unions have the upper hand and can make their influence felt.

Much greater excitement than that incidental to the Works Councils elections was aroused by the elections to the Reichstag, which took place on June 6, 1920. Incidents of an extreme character were feared in many quarters. None, however, occurred. Nevertheless, the elections were contested with extraordinary bitterness and frequently in violent and vindictive manner.

These were the first elections to the Reichstag held in Republican Germany. In general the results of the elections conformed to what had been expected. The elections dealt a severe blow to governmental stability by dissolving the coalition of the Majority Socialists, the Democrats and the Centrists under which different Chancellors and mostly with different departmental chiefs had endured since the revolution. No one party commanded a constitutional majority in the National Assembly, and in order to form a government a coalition of three parties was necessary. The Conservatives were opposed to working with any of the socialist groups; the Independent Socialists, on the other hand, would not work with any other party. A coalition of the three parties mentioned was thus forced.

Republican Germany, it should be noted, has six leading and a number of minor political parties. The leading parties are the Independent Socialists, the Majority Socialists, the Democrats, the Center Party, the German People's Party, and the German National Party. In addition there are the Communists, the Christian Federalists, the Bavarian Peasants' League, and the German Hanoverian Party.

In the Reichstag the parties are seated together, the radicals being on the left of the Chancellor, who is the presiding officer, and the Conservatives on the right. The words "Right" and "Left" are thus used not only to designate the factions within the Reichstag, but also to indicate the character of one's political leanings. In

the Reichstag the seating is as follows: Communists, Independent Socialists, Majority Socialists, Democrats, Centrists, Christian Federalists, followers of the Bavarian Peasants' League, German Hanoverian Party, the German People's Party and German National Party; this is the order from the extreme "Left" to the extreme "Right."

The steadily increasing opposition in the National Assembly to the coalition of the Centrists, Democrats, and Majority Socialists, who together controlled three-fourths of the votes, indicated that the coalition would probably suffer some loss in the elections. This anticipation was generally borne out, the Opposition, which occupied a position on the "Right" of the Coalition, making considerable gain in the elections. The Communists and Independent Socialists, who are both radical in character, gained in strength, but not nearly so much as had been generally expected.

The results of the elections to the Reichstag, with comparison to the party representation in the former National Assembly, are indicated below:

PARTY REPRESENTATION

	In the new Reichstag	In the former National Assembly
Communists	2	0
Independent Socialists	80	22
Majority Socialists	111	163
Democrats	45	73
The Center Party	67	75
Christian Federalists	21	0
Bavarian Peasants' League	4	5
German Hanoverian Party	5	3
German People's Party	61	22
German National Party	65	42
	461	405

Thus the Majority Socialists are again the most powerful organization in the National legislature, although their total representation has declined from 163 to 111. Their loss corresponds approximately to the gain of the Independent Socialists, who had 22 votes in the National Assembly but have 80 now. Among the parties occupying a middle ground, the Democrats in particular suffered severe loss. In the National Assembly they had 73 votes; now they have 45. Altogether the elections represent an

improvement in the position of the parties favoring moderation. The Communist participation in the elections was a complete failure. In the previous election to the National Assembly, the Communists, being opposed to political methods, had refused to take part. In the recent elections, however, they participated under the slogan: "In Parliament, but opposed to the Parliament."

Reference to the figures of the popular vote shows that in the election district of Berlin 444,000 votes were cast for the Independent Socialists and only 190,000 for the Majority Socialists. The Independent Socialists had, however, a similar triumph only in the election districts of Potsdam II (consisting mainly of the large Berlin suburbs), Potsdam I, Leipzig, and Düsseldorf. In all of the other election districts, which are overwhelmingly industrial in character, the Majority Socialists retained the upper hand over the Independent Socialists, a proof of the fact that the radical state of opinion of the working classes of Greater Berlin does not correspond with conditions throughout Germany.

IX

THE PROTECTION OF INDUSTRIES ESSENTIAL TO THE PUBLIC WELFARE

Have employees in the public service a right to strike? How shall the rights of the public be protected in a controversy between a private employer and employee in an industry essential to the public welfare? The problem involved in these questions is of outstanding importance and has played a most significant part in the labor disputes that have taken place in Germany since the revolution.

Prior to and during the war this problem may be said to have hardly existed in Germany, since all manual and clerical workers engaged in the public service were forbidden by law to unite in trade unions, and an organized strike of these workers could not, therefore, take place. A fundamental change in this respect has occurred since the revolution in November, 1918. Today all types of manual and clerical employees in Germany, among them those engaged in the railroad and postal service, both of which are operated by the Government, are organized. Their organization in trade unions, by enabling them to cripple an industry, even one essential to the public welfare, has placed in their hands a most significant weapon for exerting pressure to force compliance with labor demands.

That such a condition is bound to result in difficulty must be apparent to every one. Nevertheless no legal means has yet been found in Germany whereby assurance can be had that, in the event of serious wage disputes, the operation of industries absolutely essential to the public welfare will remain undisturbed. For a time relief was secured through the establishment of the so-called "Emergency Engineer Corps." Although this body was brought into being through the assistance and under the protection of the Government, it did not have official standing and was, in general, in the nature of a private undertaking.

The Emergency Engineer Corps was formed in the autumn of 1919 and was largely an outgrowth of the general reaction against strikes which set in even among

the workers themselves. Strikes were very prolific during the first six months of 1919. Some of these strikes, such as the miners' strike, the strike in the steel industry, and the strike among employees in water and electrical works, directly affected the public. The Government made a number of efforts to cope with the situation, but without apparent success. Toward the end of June, 1919, for example, as a result of an impending strike among railroad employees, the Minister of National Defense issued an order forbidding railroad employees to strike under penalty of arrest and imprisonment. The attitude of the trade unions may be indicated from their action taken at the Tenth German Trade Union Congress held at Nuremberg from June 30 to July 5, 1919. Here the following resolution was adopted:

"In view of an impending railroad strike the Minister of National Defense on June 26th issued an order which, until further notice, deprives part of the railroad workers of the right to strike.

"The Tenth Congress of the German Trade Unions admits that at the present time a strike of the German railroad workers would cause immeasurable injury to our languishing economic life and aggravate the sufferings of the working classes by bringing on general disorganization. Like the competent trade-union organization of the railroad workers, the Congress disclaims any community with the unauthorized strikes already in progress which have been called by irresponsible persons.

"Nevertheless the Trade-Union Congress protests against any abrogation of the right of the railroad workers to strike, even if such abrogation is only temporary, for the right to strike belongs to all German workers and salaried employees as an achievement of the revolution. The present prohibition is, moreover, inexpedient, because strikes cannot be prevented by prohibitions but only by agreement with the trade-union organizations of the workers.

"The Trade-Union Congress urgently appeals to the railroad workers and to the entire working population to leave the representation of their interests to their trade-union organizations exclusively and in view of the wretched situation of Germany and of her working-people to refrain from all unauthorized strikes."

The text of this resolution was in general the same as that of one adopted several days before by the Conference of Trade-Union Executives held in Berlin. As a result of these resolutions the ministerial order prohibiting

railroad strikes was rescinded. Nevertheless it was recognized that some measures must be taken to protect the public against serious inconvenience.

The Emergency Engineer Corps presented itself as a means for giving such relief. It was formed from the engineer battalion of the former Berlin guard regiments. Its headquarters were in Berlin, but it maintained district offices in various parts of Germany, which for this purpose was divided into nineteen districts. In each district a voluntary engineer corps was maintained. The organization was based on voluntary service, and its members were divided into three groups: (a) those volunteers ready for service throughout Germany; (b) those willing to serve in their own districts, and (c) those ready to serve in their own place of residence should the occasion demand it. The Corps was composed mostly of engineers and technical experts and also of skilled and unskilled workers in various occupations. Its main task was to see that in cases of strike, industries essential to the public well-being — such as those supplying gas, electricity, or water — remained in active operation and also to prevent the destruction of important means of production such as that incidental to flooding of mines, blowing up of blast furnaces, etc. Protective measures were adopted in advance so that each volunteer's duties were specifically outlined and his definite place assigned. For the purpose of carrying out its plans the Emergency Engineer Corps was provided with accurate working plans, description of machinery, boilers, and plants, and lists of volunteer workers in the different establishments who might be relied upon.

The Emergency Engineer Corps regarded its work as one of non-political character. Interference in labor disputes and limitations of the right of workmen to strike were accepted as outside its scope. It took into account only the fact that the right of labor to strike must be limited where the welfare of the community is imperiled. The work which the Corps performed was therefore not one of protection but rather one of preservation. Its sole aim was to prevent injury to the public. Its uppermost thought was that with the stoppage of essential industry and the resultant limitation of the supply of necessary articles of life, the lives of persons, particularly of the children and of the sick, are endangered,

and that the great mass of the people is affected to a much greater degree than the employing class against which the strike may be directed.

In spite of its non-political character the Emergency Engineer Corps was bitterly opposed from its very inception. The opposition was particularly bitter from the radical groups of workers. From the beginning *Freiheit*, the leading mouthpiece of the Independent Socialist Party, objected most violently. It attacked the Corps as a strike-breaking organization of national proportions whose principal duty it would be to attack the working class in the rear whenever it made an effort to secure a share in the product of industry. On the other hand, *Vorwärts*, the official organ of the Majority Socialists, and the newspaper standing closest to the Socialist Ministers in the Government, at once came out definitely in favor of the Emergency Engineer Corps and in a series of detailed articles set forth its neutral character and the exclusive public service which it would be in a position to render. Thus a most heated discussion over the Emergency Engineer Corps arose among the working classes. This discussion manifested itself in excited meetings of workmen who favored or who opposed the Corps, and on repeated occasions degenerated into actual assaults.

The Emergency Engineer Corps was in active service for a brief two months, its existence being terminated in October, 1919. It rendered particularly important service in the great strike of the metal workers in Berlin. Here following the strike of the Berlin metal workers the electricians struck in sympathy. The intervention of the Corps in this strike aroused much attention as well as violent feeling, and during this time it was frequently necessary to protect its members by means of patrols of the Security Guards.

The division of opinion over the activities of the Corps may be indicated from a resolution adopted by the Majority Socialist Party on October 20, 1919, in which the party declared its sympathy with the metal workers in Berlin, but expressed regret over the contemplated crippling of the electrical works whereby, it was stated, the life and health of thousands of persons would be seriously imperilled. The resolution further stated that the promise to carry on the necessary work would have

practically no value, since technically it would be impossible to convey electrical current only to hospitals and similar institutions. The party stated that it therefore regarded the assistance of the Emergency Engineer Corps as a necessity, and uttered a vigorous protest against the effort to exclude members of the Corps from membership in the trade unions.

In the National Assembly the Corps was most severely attacked. On October 17, 1919, the Minister of National Defense, replying to a criticism of the Corps by the Independent Socialists, declared that any man who would again attempt to cripple establishments vital to the public welfare would shortly find himself under lock and key, and that the Government owed at least this protection to the people.

Among those opposed to the Emergency Engineer Corps should be mentioned also the "Free" trade unions, who were socialistic in their sympathies and who were continually becoming more radical. In October, 1919, the General Federation of Trade Unions, which is composed of the "Free" unions, decided to exclude from the trade unions all those workmen who might place themselves at the disposal of the Emergency Engineer Corps. It issued a long statement, however, in which it took the stand that essential industries must not be endangered, but in which it demanded that the trade unions involved in a strike should look after the protection of the industries thereby affected, and for this purpose should leave behind in the establishments affected an Emergency *Trade Union Corps*.

In answer to this statement an article in *Vorwärts* pointed out that since the revolution, when complete democracy had been won for Germany, a host of definite but aimless experiments had been made by the working classes without any regard whatever for the welfare of the community, and that the means chosen were those of an era long superseded, namely, those of the "Dictatorship." Furthermore, it was pointed out that if at the critical stage of the metal workers' strike the executive officers of the Berlin Trade Union Federation had had due regard for the laws of humanity it would not have been necessary to even propose an interference by the Emergency Engineer Corps. The article argued further that the General Federation of Trade Unions, in determining what tasks

were essential to the public welfare, had confined itself to supplying light and power in sufficient quantities only for institutions caring for the sick, whereas, irrespective of what actions a trade union finds it necessary to take in its efforts to improve economic conditions, the general public has under all circumstances and conditions a right to demand that light and power be secured to all. Because of this the writer concluded it would be impossible to entrust to the executive officers of the Berlin Trade Union Federation the exclusive right to determine what the minimum essential requirements of the public were.

Since this controversy took place in the fall of 1919, opposition to the Emergency Engineer Corps has increased considerably among the working classes. The attempted military insurrection of Von Kapp in March, 1920, and the general strike which continued even after his downfall, resulted in a closer union of both socialist groups, as a result of which an overwhelming majority of the working classes are now to be regarded as opposed to the Emergency Engineer Corps. In March, 1920, the Executive Committee of the General Federation of Trade Unions approved a resolution in which it characterized the Emergency Engineer Corps as a serious menace to the trade union struggle. The resolution also states that in case of strikes and lockouts the protection of industries of special economic significance should be undertaken exclusively by the working classes and their duly authorized agents. Furthermore, the *Vorwärts*, which had previously opposed this viewpoint in most hectic fashion, now as a result of the closeness of both socialist groups had not had a single word to say against the resolution mentioned.

As a result of this state of opinion no further progress whatever has been made in Germany with regard to the problem of protection of industries essential to the public welfare. It is generally expected that the new Conciliation Order which has already been prepared by the Ministry of Labor, but which will probably not be promulgated until after the new Reichstag has been convened, will include regulations for the protection of industries of economic importance. Until then the Emergency Engineer Corps, although opposed by labor, presents the only means of warding off serious dangers to the public in labor disputes.

Of interest in this connection are the proposals of a former National Minister of Economic Affairs whose "Economic Plan" made provisions for meeting this very problem. This plan contained a proposal for a "Law Governing Industrial Peace," according to which industries imperatively required for the maintenance of German economic life, such as those having to do with food, fuel, light, electricity, clothing, the transportation of persons, goods, or news, should be placed under "Order of Peace." Provision was made that other industries besides those enumerated might be placed under such an order if joint approval of employer and employee were given. The plan provided also for the appointment of District Committees to work in harmony with the District Economic Councils.

The vital points governing the operation of an "Order of Peace" were outlined as follows:

"While the Order of Peace is in effect, every lockout in industries covered under the Order is forbidden. The right to strike in the industries specified may be exercised only in conformity with the following provisions:

- "1. The strike must be announced. The strike notification must be handed in writing to the District Committee. It must be signed by at least one-tenth of the total number of the employees engaged in the establishment. The notification must specifically state the objects which the strike hopes to achieve. Strike notifications which do not comply with these conditions shall be disallowed by the District Committees as inadmissible.
- "2. Wherever the strike announcement is admissible the District Committee must take immediate conciliatory steps for the prevention of the strike.
- "3. Should no agreement be reached within two weeks after the issuance of the strike notification, the District Committee shall introduce a resolution which must be submitted to all of the workers in the establishment. The vote shall be secret. A strike shall be declared if nine-tenths of the total number of persons engaged in the establishment have voted in favor thereof.
- "4. Should a strike be declared, no stoppage of work shall take place until a week has elapsed after the submission of the resolution to the workers by the District Committee."

This "Economic Plan" was never put into effect, the Minister of Economic Affairs having been removed from office in the fall of 1919. Nevertheless, the question of what measures shall be taken to protect the public against such serious inconvenience as may result from industrial disputes leading to the tying up or crippling of certain industries, like those in the field of transportation and communication and those supplying food, fuel, and light, still remains a major problem. These industries are of a public or quasi-public nature in which the public interest and well-being must be the paramount consideration. While the proper interests of employees in these industries should be protected, assurance must be had that the operation of these industries essential to the public welfare will be adequate, continuous, and unimpaired. That some action will be taken is certain, and it is generally expected that the provisions outlined in the "Economic Plan" above will in one form or another be brought forward one of these days and put into effect.

X

THE ECONOMIC CRISIS IN GERMANY

At the present moment (August, 1920) Germany is in the midst of a most serious economic crisis, the outcome of which it is difficult to foresee. In order to appreciate its significance it is imperative to review some of the significant factors underlying the economic life of Germany, particularly those prevailing in the spring of 1920.

As has already been indicated, the shortage of raw materials and the abandonment of all except essential production during the war resulted in a serious shortage of goods essential alike to life and to production. After Germany had, however, passed through the initial terrors of the revolution, and the immediate essential steps in reconstruction from a war to a peace-time economy had also been made, the German people took immediate courage. A movement set in which can only be described as one of intensive economic activity and prosperity. To be sure, the difficult and, in most instances, bloody political struggles of the year 1919 threatened and to a degree impaired the normal functioning of German industry, but it was finally possible to overcome these dangers, which were largely radical in character. Thereafter there set in, with only occasional interruptions, a steady advance in productivity which was the marvel of all foreign visitors in Germany.

Costs of production had of course risen in an extraordinary manner; prices of raw materials and wages and salaries had advanced to an extent that no one could have anticipated, but the great and insistent demand for goods of all kinds which arose in German markets forced into the background the question of marketing of the goods and made it possible to cover abundantly the increased costs of production. The producer controlled the field. Because of the intense competition for goods, he could not only dictate the prices which he demanded but also the conditions of delivery. The purchaser was

forced completely to the background. Whether he liked it or not, he had to pay in advance, and fixed prices were hardly ever specified. "Terms to be fixed later" became a stereotyped expression with regard to all goods offered for sale.

Furthermore, definite time of delivery was fixed only in rare cases, and even then was more rarely complied with. This condition was due largely to the frequent stoppages of work incidental to labor disputes and demands for wage increase which were being made continually. Especially characteristic of this period of industrial prosperity was the condition of the labor market which, from the viewpoint of labor, was particularly favorable. As has already been indicated, following the war and revolution there was a critical period of unemployment. In February, 1919, 1,100,000 unemployed persons in Germany were receiving unemployment grants. This number, however, declined considerably, and in August, 1919, there were only 650,000; on December 1, 1919, there were 388,000 and on April 15, 1920, there were only 295,000 unemployed. This last number was equivalent to about the number of unemployed persons in Germany in normal times before the war. Labor was in demand and the employer had to pay the wages and meet the conditions of the labor market.

This favorable industrial situation has in the last few months of this year (1920) suffered a sudden and complete reversal. In place of an unlimited demand for goods, which may be characterized as a mania, sales have stopped with startling abruptness. The whole condition of things has suffered an overturn. Whereas before every one competed in the effort to "corner" and to acquire goods, there has recently set in a sudden strike of consumers. Only here and there has this strike been organized; nevertheless it has been widespread in proportion. The result has been a cessation of production all along the line and a state of uncertainty, under which no one seems to know what to do, has set in. Stocks of goods manufactured and purchased at extraordinary prices no longer find the ready market which formerly was assumed as a matter of fact.

A general question has arisen as to whether these goods should be held until market conditions have improved or whether they should be sold at less than

cost. The latter alternative, it is felt, would of course further depress the market. The situation is most difficult for those industries that require a great stock of various raw materials, as is the case in the electrical manufacturing industry. Here large stocks of merchandise have had to be acquired in order to guard against the risks of interrupted production. Much time passes in this industry between the purchase of each raw material and the time when the finished article is available. Sometimes several months—often a year or more—pass before a machine or an appliance can be completed. The condition of other industries is similar to that of the electrical manufacturing industry.

Almost all of the larger factories now find themselves with an enormous stock of accumulated raw material and half-finished products which were acquired and made up at excessive costs and must go into the make-up of appliances which subsequently will be sold at prices far below those at which the materials were purchased. It appears now that the large gains made before were only "paper" profits, since the money acquired was expended in the purchase of dearer raw materials, which now as a result of the altered economic conditions have fallen in price. What are the causes of this sudden transformation?

First, is the improved condition in the rate of German exchange. In January and February, 1920, the mark (the normal value of which is 24 cents) was worth not more than 1 cent. Its value has fluctuated, ranging from less than 2 cents to over 3 cents. The price level has thus undergone a great change, since, while excessively low, the value of German currency has doubled. This has naturally affected prices of goods and of wages which tend to approach a so-called "world market price."

The possibilities for export of goods from Germany, which looked very hopeful, now have taken a sudden turn for the worse. In the past Germany of course was known for its exports—so much so that the charge of "dumping" goods into the market was frequently made against the country.

Another reason for the changed economic condition lies in the fact that even in the face of greatest hunger for goods, prices, in the long run, cannot continue to rise interminably. It is difficult to determine whether the

scarcity of goods which was apparent after the war was not perhaps overestimated. This much, however, is certain: the demand for goods is not in every instance an unconditionally fixed quantity. In its very nature it is dependent on individual choice and upon speculative movements. At a certain point even the most intense demand stops abruptly and limitations in buying are evident when the purchasing power can no longer keep pace with mounting prices. In other words, there is a maximum price which "the traffic will bear" and beyond this a continually diminishing demand is experienced.

It is clearly evident that such a depression as now prevails in Germany had to come sometime and that the improvement in foreign exchange and the possibility of obtaining from abroad cheaper raw materials and other essential articles has influenced the decline in the price level. Thus, strangely enough, the rise in the foreign exchange rate, which every one in Germany desired, has come, but has led to immediate disastrous economic consequences.

Meanwhile middlemen and jobbers, so-called "Schieber" or petty speculators, who, frequently with great profit, dispose of their purchases without ever having seen or received the goods in which they deal, have pocketed their gains, while the actual manufacturers and merchants are in a most difficult situation. As yet no serious failures have taken place. Nevertheless a large number of sound enterprises exist regarding which it cannot be said with certainty whether they will be able to surmount the period of stress resulting from the abrupt cessation in buying. The situation is particularly serious with regard to the manufacturing industries. In the textile and in the automobile manufacturing industries comparatively extensive discharges of employees have taken place or are in prospect.

Hopes that Germany will surmount the crisis without serious disturbance rest upon the following three grounds:

1. The belief that through forced disposal of goods the price level will decline gradually and not suddenly, and that it will affect those articles which can be most easily dispensed with. Further, that the cost of living will decline. So far this has not yet shown any marked change. It is generally believed that only when the cost of living has fallen will it be possible to reduce the level

of wages and salaries. At present, with some good reason, there is opposition to such a course. It may safely be said that in view of present political conditions in Germany, reduction in wages and salaries will not be brought about without serious difficulty. The economic crisis and threatened curtailment of productive activity may, however, facilitate the reductions which are inevitable.

2. That a better planned and better organized economy than that existing until now can be effected. A free *laissez-faire* economic system, under which every manufacturer and merchant may buy and sell without let or hindrance and do as he will, may work well when the economic organism is healthy, but it may not suit a country which, having lost a war, is struggling with all its might for its bare economic existence. Viewed objectively, it cannot be gainsaid that German industrialists are themselves to blame for the reaction which has set in as a result of the artificial boosting of prices. A healthy economic organism might have made impossible the inordinate profiteering and thereby also prevented the economic crisis resulting from it. Fortunately, the National Economic Council (see Chapter VI), referred to as an Industrial Parliament of Representatives of Employers and Employees, has at last been established and has already begun its work. One of the first tasks which it has undertaken is to see that the crisis does not lead to a diminishing in productive activity with a resultant dismissal of employees and that through proper measures a healthy tendency in Germany's economic development may be assured.

3. That the foreign exchange situation (the improvement of which it is hoped rests not on speculative manipulations but on a favorable judgment of Germany's economic status) may be stabilized. As far as Germany is concerned, the course of foreign exchange does not matter so long as it is free from violent fluctuation. If the latter condition holds, transactions may be carried on with more or less security. Both the manufacturer and the consumer are protected by a stable exchange, since neither is forced into extreme courses by exaggerated fears. Consumers' strikes and widely competitive buying with resultant decline or rise in price are avoided. Speculation is also decreased. Wages, salaries, and prices can remain fairly stable only if the exchange rate remains stable.

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